

## The Star Biz

### 17-08-2006: Analysts: Maemode deserves more interest BY KEITH HIEW

**PETALING JAYA:** Analysts generally concur that Malaysian AE Models Bhd (Maemode) is a fundamentally sound company and its shares should be seeing more trading volume, but brokerages say somehow investor interest is still lacking.

OSK Securities said Maemode's RM12.3mil net profit for the year ended May 31 (FY06), a 36.7% year-on-year increase, exceeded the research house's estimates by 19%.

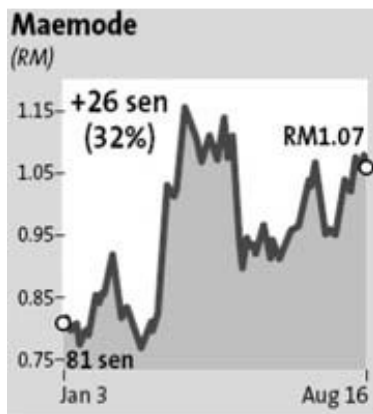
The good result was achieved on a 50% increase in Maemode's production capacity in FY06, and the conveyor systems manufacturer is planning to increase capacity by a further 20% per annum in the next two years.

However, due to increases in steel prices, Maemode's earnings before interest, tax, depreciation and amortisation margins have declined from 14.3% to 11.8% for FY06.

Its management had said any increase of less than 5% in steel price would be absorbed by the company, and Maemode would only seek confirmation from customers for a price revision should prices surge beyond 5%.

The conveyor systems industry, said OSK Securities, would remain stable following the growth of global industrialisation, with an annual demand of US\$82bil and a 6% per annum growth rate. Maemode itself also has projects worth about RM235mil in hand currently.

OSK Securities expects Maemode to register net earnings of RM13.7mil and RM15mil for FY07 and FY08 respectively, on a net earnings compounded annual growth rate of 10%.



The brokerage, though, is vigilant on Maemode's high gearing of 0.9 times and weak interest coverage of 2.7 times. The company declared a 1.5 sen dividend for FY06, translating into a gross yield of 1.4%.

K&N Kenanga analyst Teoh Cheng Guan said Maemode's strategic measures to diversify earnings in recent years were paying off, and that the firm's key earnings drivers included strong sales growth in China and other Asian markets.

"Profit margins recovery due to greater focus on higher value-added handling systems and lower group effective tax rates also contributed to the good performance," said Teoh. He added that fundamentally, Maemode was "indeed a solid company."

"We think its stock price could perform better, and expanding another 20% on its current earnings for the next couple of years should not be difficult," he said.

Another analyst, while agreeing that Maemode was "basically strong", said its stocks had not attracted much investment.

"Realistically, there should be more investors interested in it, but that has not materialised. It should," the analyst said.

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